

SENATE BILL REPORT

SHB 2605

As of February 17, 2012

Title: An act relating to establishing a water pollution control revolving administration fee.

Brief Description: Establishing a water pollution control revolving administration fee.

Sponsors: House Committee on Capital Budget (originally sponsored by Representative Dunshee; by request of Department of Ecology).

Brief History: Passed House: 2/13/12, 91-7.

Committee Activity: Environment: 2/17/12.

SENATE COMMITTEE ON ENVIRONMENT

Staff: Karen Epps (786-7424)

Background: The State Water Pollution Control Revolving Fund (SRF) Program was authorized under the Clean Water Act Amendments of 1987. The United States Environmental Protection Agency (EPA) provides money to capitalize state loan funds based on congressional appropriations, state matching funds, and principal and interest repayments. The Centennial Clean Water Grant Program (CCWG) receives money from the State Building Construction Account and the State and Local Toxics Account.

The SRF Program and CCWG are managed jointly by the Department of Ecology (DOE). Together, the programs provide low interest loans and grants to local governments and federally recognized Indian tribes to support a wide variety of activities, including technical assistance, financial assistance, education, training, technology transfer, demonstration projects, and monitoring to assess the success of specific nonpoint source implementation projects. These funds are used primarily to plan, design, construct, and improve water pollution control facilities such as wastewater treatment plants, main sewers, and storm water control projects.

DOE manages the annual application and funding process of these funding sources through an integrated funding approach. As such, there is one combined funding cycle, one application form and submittal period, and a combined funding list. DOE may use up to 4 percent of the EPA capitalization grant to cover its SRF administrative costs. Federal law prohibits the use of repayment principal and interest for SRF administration.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: DOE is authorized to charge an administration fee for loans issued under the SRF Program. The administration fee applies retroactively to July 1, 2007, and is to be charged as a portion of the debt service on each loan, except for loans carrying an interest rate of less than one-half of 1 percent that are to be exempt. Debt service is defined as the total of all principal, interest, and fees associated with an SRF loan that must be repaid to DOE by a public body.

All receipts from the administration fee are to be deposited in a Water Pollution Control Revolving Administration Account (Account) created in the state treasury. In addition to the administration fee receipts, the Account may consist of any other revenues, including gifts, grants, or bequests pledged to the state for administering the SRF Program. The State Treasurer is authorized to invest and reinvest Account revenues and must credit the Account with its investment earnings.

Monies in the Account are to be used for: (1) staffing the management of the SRF Program; (2) administering loans and collecting loan repayments; (3) information and data systems used to track and manage the SRF; and (4) other associated costs of SRF Program administration. Each biennium, DOE may spend from the Account an amount that is no more than 4 percent of the new capital appropriation. DOE must determine its administrative costs, including an adequate working capital reserve and taking into account the 4 percent expenditure cap. The sole purpose of charging the administration fees is to adequately fund DOE's costs of administering the SRF Program. If DOE determines that there is an excess balance in the Account, it must request in its subsequent budget submittal that the balance be transferred to SRF.

By December 1, 2016, DOE must submit a report to the legislative fiscal committees regarding the implementation of the administration fee, including information on:

- the amount of income the fee has produced since its inception;
- the uses and adequacy of the income for administrative costs;
- any excess balances that have been transferred to SRF; and
- any additional sources that DOE is using for program administration.

As part of its 2017-2019 biennial operating budget submittal, and for every biennium afterward, DOE must compare the projected administrative costs of the SRF Program with the projected income from the administration fee. DOE must also adjust the rate of the administration fee to ensure that the income produced adequately funds the costs of administering the program.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for section 2 which is retroactive to July 1, 2007.

Staff Summary of Public Testimony: PRO: Since the establishment of SRF, SRF has been capitalized and DOE's administrative costs have been covered by the capitalization grants. The grant money is becoming unstable and is in decline. The grant money will be gone by 2016, and the SRF does not have any administrative fees to cover the administrative costs. The SRF program is a nearly \$1 billion loan program to provide low interest loans to local communities to build wastewater treatment plants and storm water facilities. This bill is designed to ensure that DOE has a stable funding source for the SRF program. DOE plans to take a half percent of the current interest rate as the administration fee.

Persons Testifying: PRO: Donald Seeberger, Jeff Nejedly, DOE.